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MARKET SEGMENT REPORT/**ICE CREAM/YOGURT** PAGE 213

Restaurant Business

A BILL PUBLICATION

MAY 1, 1988

1988 BUSINESS LEADERSHIP

AWARDS

HARRIS RUSITZKY
SERV-RITE
PAGE 202

JEAN AND
DORIS BANCHET
LE FRANCAIS
PAGE 182

JUERGEN BARTELS
CARLSON
HOSPITALITY
PAGE 184

ROSEMARY GARBETT
LOS TIOS
PAGE 198

EDWARD RENSI
McDONALD'S
PAGE 200

RAY DANNER
SHONEY'S
PAGE 194

'LITE' FOOD CREATIONS/MENU IDEAS FROM THE RB TEST KITCHEN PAGE 281

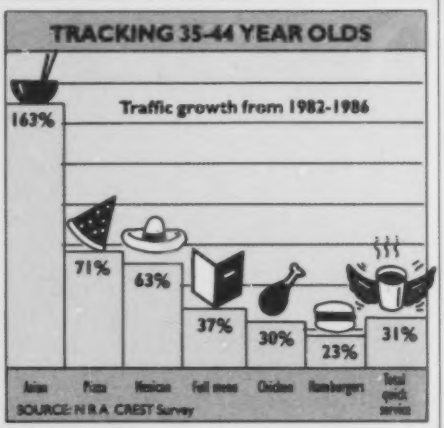
A RAINBOW OF CONCEPTS/SPECTRUM FOODS REVEALS ITS PLANS PAGE 116

CHILDREN IN THE DINING ROOM/THE ABCs OF SERVING FAMILIES PAGE 104

BUSINESS BAROMETER

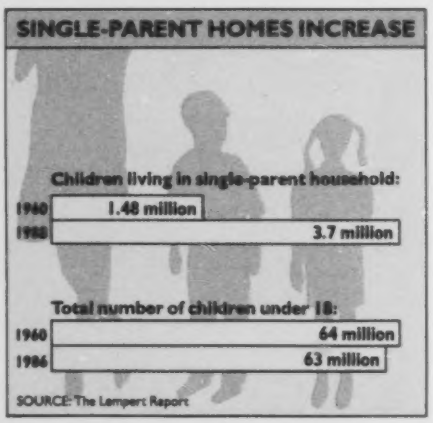
The Hard Facts Shaping Our Industry

By Howard Riell



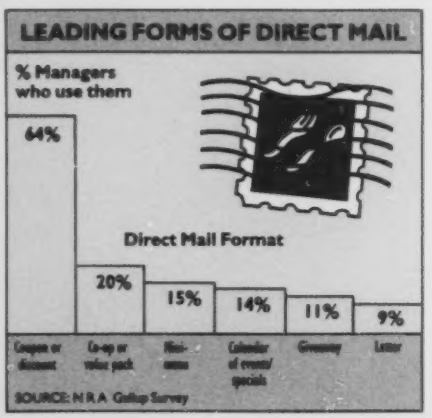
First Baby Boomers Flock To Fast Food

The vanguard of the baby-boom generation—now adults aged 35 to 44—seem to be coming back to their roots, at least as far as their taste for fast food is concerned (see figures at left). They accounted for one quarter of the total restaurant traffic growth from 1982 to 1986, according to other figures just released by the NRA. In total, the group is responsible for 17% of all restaurant occasions, second only to those aged 25 to 34. The 35-to-44 age group has more children under the age of 18 than other age groups have. Their median income was $32,787. Sixty-seven percent of married couples in this age group have dual incomes.



Tracking The Changing American Family

Close to one quarter of all American children under the age of 18—about 14.8 million—today live in single-parent households. Draw what conclusions you will about the state of the American family, but that figure is one that smart foodservice marketers can use to their advantage. It means, among other things, that even though the overall population is growing older, the younger consumers are gaining more and more authority in making their own dining choices, which bodes well for fast food. It also means that more of the overall food dollar will most likely be spent outside of the home—again, good for foodservice.



How Managers Are Managing Direct Mail

That coupons are the most popular form of direct mail used by managers questioned is not surprising, and their advantages have been explored in depth many times. Value packs, according to the NRA, are used primarily by high-traffic, limited-menu restaurants. Thirty-three percent of chains mail them, but only 11% of independents. In contrast, independents choose mini-menus (21%) far more than do chains (6%). Not surprisingly, full-service and independent restaurants use letters, invitations, and newsletters more than chain operators do. Giveaways prove popular in full-service and fast-food segments.

CHARTS DESIGNED BY PARA GRAPHICS

RESTAURANT BUSINESS

CONTENTS

MAY 1, 1988 VOL. 87 NO. 7

COVER STORY: *RB Leadership Awards, page 181.*

MENU IDEAS: *"Lite" Food, page 281.*

PIECE MEAL: *Tempura, page 289.*

Cover Story

INDUSTRY **RB LEADERSHIP AWARDS.** *The editors of Restaurant Business are pleased to announce the winners of our Sixth Annual Business Leadership Awards: Harris Rusitzky, Serv-Rite Food Service Corp.; Jean and Doris Banchet, Le Français; Juergen Bartels, Carlson Hospitality Group; Rosemary Garbett, Los Tios Mexican Restaurants; Edward Rensi, McDonald's Corp.; and Ray Danner, Shoney's* **181**

Food and Beverage

DRAFTS, CARAFES & SPIRITS **UPSCALE BEER.** *Operators turn to superpremiums, imported beers, and American boutique brews* **271**

MENU IDEAS **'LITE' FOOD.** *RB presents facts about the "lite" market and some menu suggestions* **281**

PIECE MEAL **TEMPURA.** *A whole spectrum of foods can be deep-fried in an airy, light batter* **289**

Features

SERVICE STRATEGIES **CATERING TO FAMILIES.** *The American family is changing, and more and more young couples are bringing children to dinner* **104**

MULTI-CONCEPT OPERATOR **SPECTRUM FOODS.** *After opening six new restaurants in 18 months, Spectrum Foods Inc. is now scaling back on expansion* **116**

CHAIN **GROUND ROUND.** *After three years of troubles and two ownership changes, this chain is getting back on its feet* **126**

MIDWEST INDEPENDENT **THE WATERFRONT.** *This concept brings together a variety of dining and entertainment operations under one large roof* **136**

BOOK EXCERPT **DINING IN GRAND STYLE.** *Hilton International's new cookbook showcases the talent of chefs in the hotel chain's kitchens around the world* **149**

WEST COAST INDEPENDENT **CITRUS.** *Michel Richard's vision of what a French restaurant in California should be* **156**

DESIGN TRENDS **FLEXIBLE DESIGN.** *Restaurants that are designed for multiple uses offer flexibility* **164**

MARKETING **ATLANTIC CITY.** *With 12 casino/hotels glittering on the skyline, food and beverage is a marketing tool for building business* **170**

MARKET SEGMENT REPORT **ICE CREAM/YOGURT.** *The market for frozen treats continues to grow, as consumers indulge themselves* **213**

Cover photographs of the 1988 Leadership Award winners are based on a concept developed by the photographer Phillipe Hausman.

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Columns and Departments

BUSINESS BAROMETER. *Facts and Figures on Market Trends and Demographics* 2

RB NOTES. *A Look at the Light Side* 9

EDITORIAL 18

LETTERS TO THE EDITOR 22

INSIGHTS. *Industry News* 24

NRA SHOW PREVIEW 28

MENU MONITOR. *Product Tests and Rollouts* 48

REGIONAL REPORT. *Focus on the Northeast* 49

TRADE QUOTES. *Stock Market Reports* 52

MENU PLANNER'S GUIDE. *New Ideas from the RB Test Kitchen Add Variety* 58

RB INTERVIEW. *Ann Clurman, Yankelovich Clancy Shulman* 70

THE BOTTOM LINE. *Cash Management* 76

SERVICE SOLUTIONS. *Personnel Hiring Strategies* 91

COMPUTER LINK. *The Right Fit* 92

TRAINING. *Hilton Hotels Taps CIA's Savvy* 98

PROMOTIONS 100

FOODSERVICE MANAGEMENT. *Kodak* 206

SUPPLY LINES 249

RAISING YOUR EQUIPMENT I.Q. *Deep Fat Fryers* 250

BUYER'S CIRCLE. *Noteworthy Equipment* 254

BAR MANAGEMENT GUIDE 276

PRO'S PANTRY. *Gelatin* 296

RESTAURANT STIRRINGS 300

PREVIEW. *A Look at Upcoming Articles* 308

LATELINE. *Last-minute Newsbreaks* 310

WASHINGTON WATCH. *Capital Observations* 314

RESTAURANT OPENINGS. *Premieres and Debuts* 316

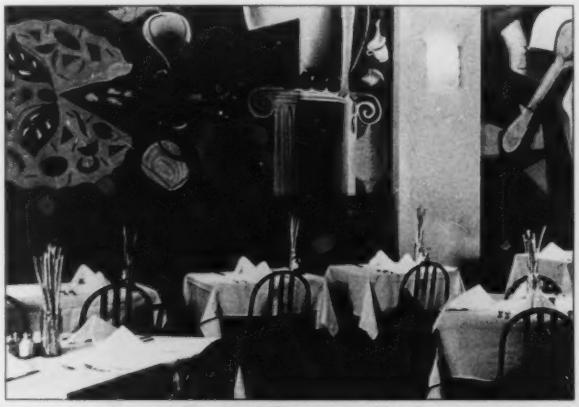
INDEX TO OPERATORS 318

READER COMMENT CARD 221

SPECIAL OFFER

Restaurant Business now has available specially prepared reprints of the **1987 RESTAURANT GROWTH INDEX** and the **1988 MAJOR FORCES IN FRANCHISING.** These annual studies are invaluable reference tools.

The reprints are available for $3 per copy. Direct orders and inquiries to: Editor Peter Berlinski, *Restaurant Business* Magazine, 633 Third Avenue, New York, NY 10017.



MULTI-CONCEPT OPERATOR: *Spectrum Foods, page 116.*

BOOK EXCERPT: *Hilton Intl.'s Dining In Grand Style, page 149.*

MARKET SEGMENT REPORT: *Ice Cream and Yogurt, page 213.*

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ICE CREAM/YOGURT

The leading chains and independents are competing intensely to indulge consumers with a plethora of exotic new flavors and novelties.

BY JAMES SCARPA

"What a pity this isn't a sin," the 19th century novelist Stendahl allegedly said upon first tasting ice cream.

Today's consumers find virtues in frozen desserts. People are happily indulging themselves more than ever with luxurious superpremium ice cream and supposedly guilt-free frozen yogurt. In reponse, the leading chains and independents are competing intensely to indulge them with a plethora of flavors and novelties.

"Ice cream is an 'up' product," says vice president of marketing John Sauve of Friendly Restaurants. "How long can you stay unhappy when you're eating ice cream?"

COOL SALES. Ice cream is an "up" industry, too. The retail value of ice cream, frozen yogurt, sherbet, ice milk, and other frozen desserts grew by more than 3% to $9.3 billion in 1987, estimates the Washington, DC-based International Ice Cream Association (IICA). The breakdown is roughly half supermarket sales and half foodservice sales, which includes dipping stores and all other establishments that menu ice cream.

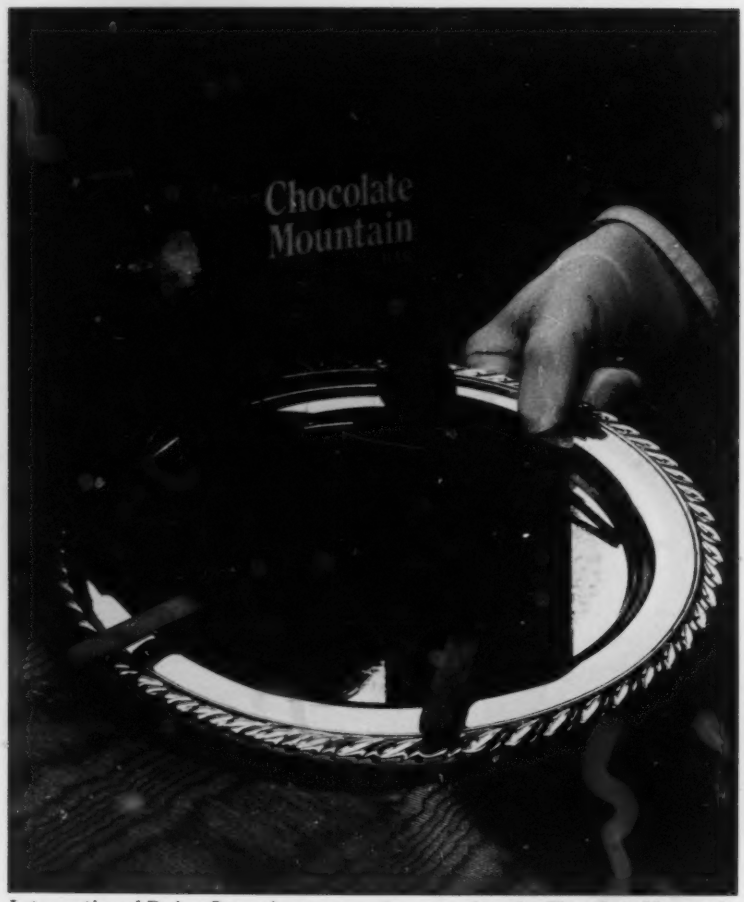
Ice cream was one of the fastest growing limited menu concepts in 1987, according to Bob Siegel of the Evanston, IL-based Restaurant Consulting Group Inc., publisher of the RE-COUNT report. RE-COUNT re-

continued on page 214

Friendly offers 25 to 30 different ice cream flavors. Pictured is Friendly's Jim Dandy sundae.

LOGO PHOTOGRAPHY BY AMY REICHMAN

ICE CREAM/YOGURT



International Dairy Queen's new premium novelty, the Chocolate Mountain Bar, is aimed at the take-home market.

ports that the ice cream segment grew from 20,511 units in 1986 to 21,598 in 1987, an increase of 5.3%. This outpaced the overall restaurant industry, which grew 3.7%. Both chains and independents in the ice cream segment increased their growth rates over the previous year, but independents grew more than chains, 6.6% to 4.4%.

"This category is different from many others," says Siegel. "It does not require huge amounts of capital or experience. It is easier to find independent growth here, unlike in the hamburger segment where the top chains provide virtually all the growth."

"We're experiencing an extremely vibrant market, likely to become even more competitive," says Friendly's Sauve. "The consumer is benefiting from the explosion of new flavors and new products."

NOVEL TRENDS. Among the continuing trends in the segment today are an increase in frozen novelties and superpremium ice cream, an expanding galaxy of mix-ins and toppings, and the broadening of menus to include other foods.

Novelties are becoming even more widespread, according to the IICA. Novelties are defined as single-serving frozen desserts, presented on a stick, in a cone, or in a cup. The hottest novelties now appear to be bite-sized products, such as Häagen-Dazs Miniatures, and deluxe ice cream bars such as Dairy Queen's Chocolate Mountain Bar.

Another continuing growth area is superpremium ice cream. "Virtually every shop sells a superpremium ice cream now," says Don Buckley of the Columbus, OH-based National Ice Cream Retailers Association. Superpremium ice cream generally contains at least 14% butterfat, in comparison to the 10% minimum required as standard for the product. Baskin-Robbins has an International Creams tier of flavors; Bresler's has its Royale Cremes. The leading soft-serve players have added upscale hard ice creams as well. Tastee Freez has its Gourmet Homemade flavors; International Dairy Queen has its premium Queen's Choice line.

Mix-ins and toppings range from crumbled cookies and brownies, chunks of brand-name candy bars, and fresh fruits and nuts, to wheat germ and granola in some health-oriented frozen yogurt concepts. Some operations feature upscale toppings such as melted imported chocolate.

A FINE LINE. Ice cream and yogurt may be expanding in popularity, but the segment remains characterized by low average store volumes, fluctuating business, and low returns on investment. It may seem a simple business, but operators report walking a fine line to stay in the black.

Superpremium ice cream, mix-ins, and toppings add value for the consumer and build the check for the operator. Trading the customer up from an 85¢ cone to a $1.50 or $2 deluxe dessert

continued on page 216

ICE CREAM/YOGURT

Friendly plans on giving supermarkets a run for their money with take-home half-gallons, cakes, and single-serving Sundae Cups.

The retail value of ice cream, frozen yogurt, and frozen desserts grew by more than 3% to $9.3 billion in 1987.

with premium candy mix-ins, whipped cream, and a topping helps to overcome the high rents and other fixed costs of being in business.

Specialty ice cream shops may be an endangered species. Now, even concepts that once sold only frozen desserts are taking a page from mid-priced family restaurants by including snacks or sandwiches. The incremental sales these menus bring can help overcome the daypart and seasonal swings of ice cream. Friendly Restaurants, although it has a strong ice cream identity, does 60% of its business in non-ice cream foods. Brigham's new prototypes give the growing New England chain expanded foodservice capability. And Steve's Ice Cream has expanded menus in development.

FOREIGN MARKETS. In addition to domestic franchising in the $1 billion yogurt market, foreign expansion is booming, particularly in Japan. Led by players such as J. Higby's, Heidi's, and Zack's, several thousand franchise stores await development in the Far East in the next few years.

Opinions differ as to whether frozen yogurt is a mainstream trend or a bicoastal fad. At present, chains are battling to define customer expectations for the product. No consensus exists as to whether frozen yogurt is a healthful food, a luxurious dessert, or combination of both. The polarity ranges from the fresh fruit and granola toppings of Everything Yogurt or Heidi's Frogen Yozurt to the frozen yogurt Hot Fudge Sundae of TCBY and others.

Known best as a major ice cream player, Bresler's Ice Cream & Yogurt has committed itself to yogurt, even adding it to its logo. Baskin-Robbins is pitching 20 flavors of frozen yogurt to its franchisees. Swensen's has yogurt in test as well. Another major player, Häagen-Dazs, has introduced a frozen yogurt, although it has not branded it with the Häagen-Dazs label.

COLOSSUS. "We continue to be excited about ice cream," says president Mike Sullivan of Minneapolis-based International Dairy Queen. The 5,000-unit ice cream colossus continues to develop its leading items and introduce new ones. Last year, IDQ added new brand-name candy mix-ins for the Blizzard soft-serve shake, which mixes in a variety of goodies, including chopped Heath Bars, Oreos, Snickers, and M&Ms. Added were Nestle's Crunch, M&M Peanuts, and fruit-flavored Nerds.

The company will continue to emphasize its 3,600 Dairy Queen Brazier fast-food units. "It's a good, profitable combination of hot food and frozen desserts under the same roof," says Sullivan. Brazier stores report an average unit volume of $454,000, compared to $375,450 for all stores.

Also popular is IDQ's Queen's Choice premium hard ice cream, which is positioned above its standard soft-serve. About one-third of the stores offer the eight-flavor line.

This spring, IDQ rolls out a new novelty targeted at the take-home market. The new Chocolate Mountain Bar is a 5.25-oz., 12% butterfat vanilla ice cream bar coated with premium dark chocolate, sold in two-packs.

Also this year, IDQ is opening seven Treat Centers in shopping malls. These are 800- to 1,000-sq.-ft. installations that sell desserts. "We may have as many as 30 or 40 by the end of the year," says Sullivan.

PRODUCT TWISTS. Glendale, CA-based Baskin-Robbins, second in the segment with 3,400 stores, has several new product twists this year to add to its product line.

continued on page 220

ICE CREAM/YOGURT

Staten Island, NY-based Sedutto distributes its Italian ice cream specialties to foodservice. It also has about 15 licensed dipping stores.

Both chains and independents increased their growth rates, but independents grew more than did chains, 6.6% to 4.4%.

"This year, it's important for us to move ahead with soft-serve frozen yogurt, expand novelties, and maintain the profitability of our franchised stores," says spokesperson Marilyn Novak. Store refurbishing will continue throughout 1988, with more than half of all stores already completed.

The "home of 31 flavors" is making available 20 flavors of soft-serve frozen yogurt with more than 30 toppings to franchisees on a voluntary basis.

Baskin-Robbins' mainstays are its premium ice creams with flavors such as Jamoca Almond Fudge, Chewy Gooey Chocolate, and Rocky Road, Novak reports, not to mention the continuing popularity of its ice cream Turtle Pie, Mud Pie, and other take-out pies and cakes.

Also establishing a place in the Baskin-Robbins product mix are its trademarked International Creams, which are 16% butterfat ice creams in flavors such as Cappuccino Chip, Almond Amaretto, and Chocolate Raspberry Truffle. As novelties, the company also sells French Vanilla, Tuxedo Chocolate, and Sorbet and Cream bars, four to a package.

De Novo Corp.'s Utica, MI-based Tastee Freez chain has built up a 12-flavor selection of Gourmet Homemade hard ice cream over the past four years. New flavors are Rum Raisin Rum, Walnut Brownie Bash, and Heath Bar. Currently, stores in North Carolina and Florida are testing the hard ice cream in pies and cakes, which keep better in home freezers than soft serve does.

The chain operates about 400 stores in 40 states, all franchised, "mainly in third and fourth tier markets," says marketing director Chris Raab. The strongest trading areas are in Oklahoma, Texas, Kansas, Arkansas, Virginia, and the Carolinas. Average unit volume is $240,000.

JOINT VENTURE. A joint venture agreement is under way with the Minneapolis-based Mr. Donut chain, a Tastee Freez sub-franchisee. "We mesh well together in dayparts and seasonality," says Raab. Testing of Tastee Freez soft serve has begun in Mr. Donut stores in Minneapolis and Florida.

Since the 1960s, Tastee Freez has offered hamburgers, hot dogs, and other sandwiches in many of its stores, now comprising three-quarters of the chain. Some stores have salad bars and serve breakfast.

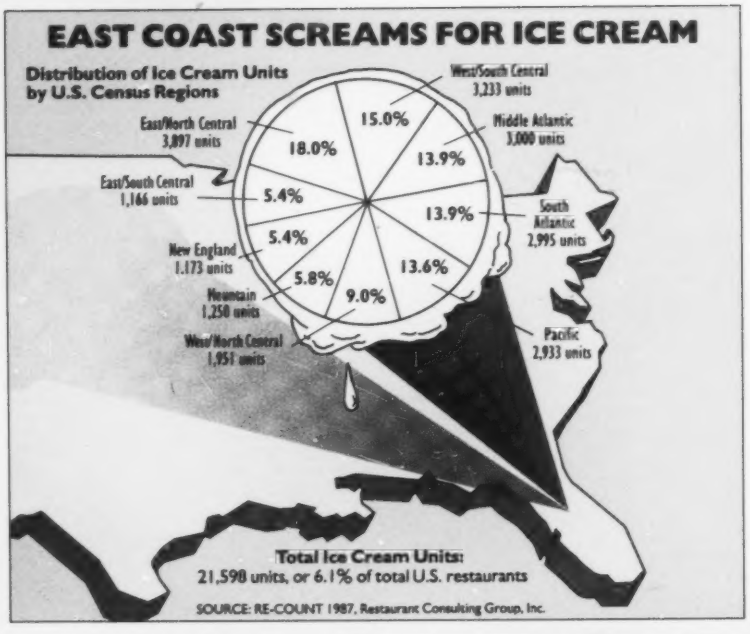
It's been a memorable year for Steve's Homemade Ice Cream and Swensen's Ice Cream. The Lindenhurst, NY-based superpremium chain bought the Phoenix-based Swensen's in fall 1987. Both concepts will operate under their original names. This spring, new corporate offices in Andover, MA, will become joint headquarters, a return to the Boston area where Steve's began.

Swensen's operates 325 units. Steve's has close to 100 domestic stores and more than 15 units in Japan. Company estimates of systemwide sales for 1987 are $35 million for Steve's, $90 million for Swensen's.

"Steve's will hopscotch across the country from its eastern markets," says Emily Skoler, vice president of marketing and advertising. Southern California is an especially targeted area. In turn, Swensen's, largely located in the West, will come east.

There are apparently no worries about either concept stealing the other's business. "The two trademarks are very distinct," says Skoler. "Swen-

continued on page 224



sen's is a 14% butterfat premium ice cream. Steve's, on the other hand, is the innovative superpremium ice cream chain that pioneered the mix-in concept."

TESTING YOGURT. Several Swensen's units are testing frozen yogurt. "We need to know if it will garner incremental sales or if it will cannibalize them," says marketing director Howard Englander. "We will not be hasty about a rollout."

Swensen's, billed as The Sundae Architects, is switching to an all-natural ice cream this year, beginning with California stores this spring. Concurrently, Earl's Custom Combinations will roll out a new line of eight to 12 combination flavors such as Chocolate Macadamia Nut.

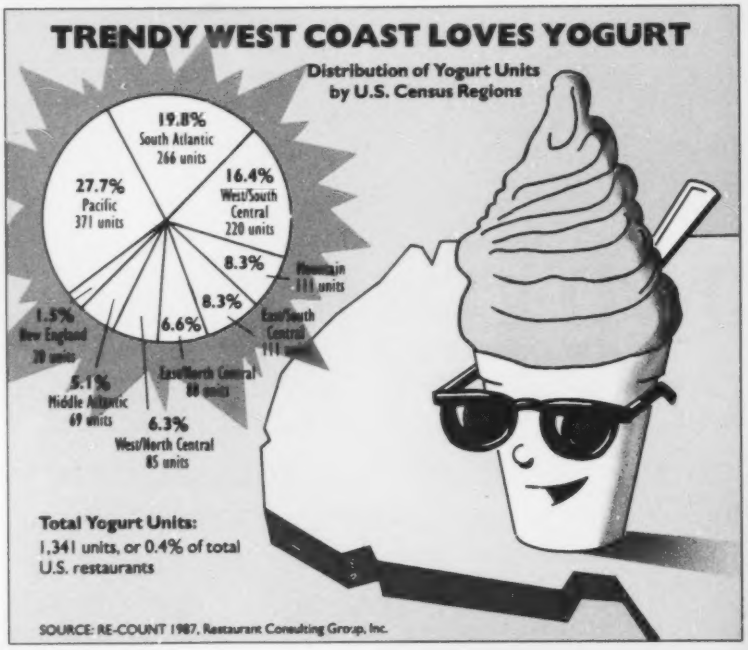
At Steve's, the search is on for a food identity. Several stores are being remodeled to accommodate food operations, with more to follow.

Ice cream is an integral part of the business of Wilbraham, MA-based Friendly Restaurants, founded in 1935. The family restaurant chain does 35% to 40% of its business in ice cream, amounting to $200,000 to $300,000 per store. The Friendly system consists of 850 restaurants in 15 states, with systemwide sales of $536.4 million in 1986.

"Ice cream casts a fun halo over our

continued on page 226

Trends include frozen novelties, superpremium ice cream, more mix-ins and toppings, and broadening menus.



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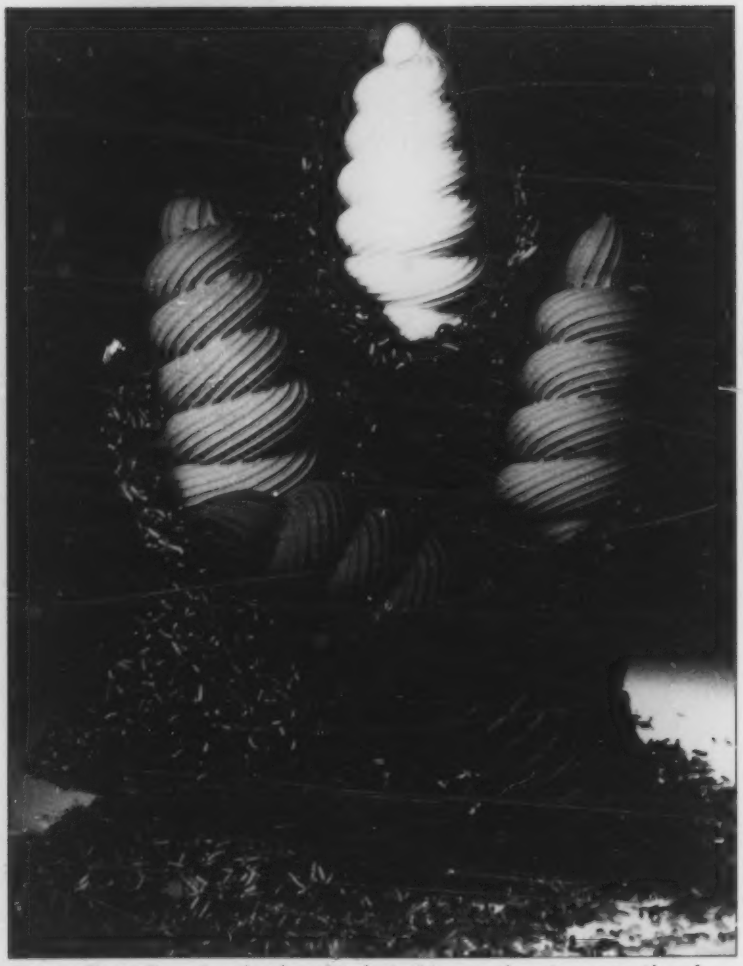
ICE CREAM/YOGURT



Twistee Treat Corp. has developed technical innovations to ease national expansion. Pictured are fancy waffle cones.

restaurants," says Friendly vice president of marketing John Sauve. "It differentiates us from the competition."

More than 90% of all ice cream is consumed at home, points out Sauve. "The better the ice cream gets in supermarkets, the more competition it is for us," he says. Friendly tries to counter this by offering 25 to 30 flavors, a wider variety than supermarkets offer. "We meet customer needs that supermarkets can't satisfy," he says.

For example, Friendly offers single-serving Sundae Cups, in flavors such as Reese's Peanut Butter Cup, Reese's Pieces, Classic Strawberry, Original Fudge, Ultimate Chocolate, Merry Mint, and Mr. Goodbar. The Sundae Cups are priced at $1.29 each, three for $2.99, and twelve for $9.99.

NEW FOCUS. Des Plaines, IL-based Bresler's Ice Cream & Yogurt, renamed from Bresler's 33 Flavors, has wholeheartedly embraced frozen yogurt. The 300-unit national chain is now officially the Bresler's division of Oberweis Dairy Inc., of Aurora, IL, after being acquired by the privately owned dairy last year.

Recently appointed president David Lasky has directed the systemwide name change and marketing refocus. "More and more of our customers are health-conscious and prefer frozen yogurt over ice cream," he says. "Nearly 25% of our shop sales are in yogurt, and we see that increasing."

Bresler's has not forsaken its 33 standard ice cream flavors, Lasky points out. But it will offer 12 to 15 flavors of frozen yogurt, sold four at a time on a rotating basis. The company has added two new soft-serve machines and a toppings bar in its stores.

Also menued are the trademarked superpremium Royale Cremes ice cream line, sherbet, Weight Watchers Frosted Treats, and the Ice-Quake, a frozen yogurt shake with mix-ins. Many stores also offer cookies and other baked treats.

"We feel we can double unit volumes over the next two years," says vice president of marketing Albert Till. "Our method is to attract a whole new customer with items like yogurt and Royal Cremes." Current store sales volume is about $125,000.

Bresler's reports encouraging sales of more than 8% systemwide for its Royale Cremes ice cream line, rolled out last May. "More important than successful sales of the product itself, Royale Cremes have benefited our bottom line by creating incremental gross profits systemwide," says Lasky.

"Our goal is to increase overall sales by 10% to 15% in 1988, and we see Royale Cremes as a crucial factor in that," says Lasky. "We'll continue to feed the demand for superpremium novelties while amplifying our efforts to sell standard flavors and frozen yogurt."

Teaneck, NJ-based Häagen-Dazs, a

continued on page 228

Brigham's new prototypes are equipped with grills and fryers to give the New England chain expanded foodservice capability.

Superpremium ice cream contains at least 14% butterfat, compared to the 10% minimum.

subsidiary of Pillsbury Co., sells superpremium ice cream under the slogan "The Finest Ice Cream In The World." The company has also recognized the growing popularity of frozen yogurt by rolling out its own, prepared exclusively for Häagen-Dazs, but has not awarded it the Häagen-Dazs name.

The Häagen-Dazs Bar has enjoyed "double digit" growth since its introduction more than two years ago, says vice president of marketing Beth Bronner. A new novelty is Häagen-Dazs Miniatures, bite-sized luxury vanilla, chocolate, and coffee ice cream bars dipped in Belgian chocolate. They are sold individually or in six- or 12-piece gift boxes. They will be more heavily promoted during holiday periods, especially Valentine's Day.

Last year, Häagen-Dazs introduced its Special Additions line of superpremium ice cream with added nuts and chocolate chunks. The three Special Additions are Chocolate Chocolate Mint, Macadamia Brittle, and Mocha Double Nut.

Häagen-Dazs operates approximately 300 Ice Cream Shoppes nationwide. It also sells to supermarkets and to foodservice in bulk. The company has enjoyed "double-digit growth over the past five years," says Bronner, but she declined to discuss systemwide sales.

Arlington, MA-based Brigham's Ice Cream, a Boston-area institution since 1914, has big plans for the future. It plans to expand its current base of 72 restaurants in Massachusetts and New Hampshire to 150 throughout New England and in New York and New Jersey by 1992.

FOOD SALES. Brigham's is moving beyond the mainly take-out operations of its limited-seating older units. Newer prototype restaurants are 1,500 to 2,200 sq. ft., equipped with grills and fryers. Projected volume for the new stores is $425,000, according to president Dick Silva. He breaks this down to $250,000 in dipping business, the remainder in incremental sandwich sales.

The prototypes will feature Brigham's new decor. "We've got the warm, nostalgic feel of a classic ice cream parlor and sandwich shop," says Silva. The decor features wooden booths, burgundy and white upholstery, and art deco touches.

Brigham's sells one million gallons of 15% butterfat ice cream annually in its restaurants and parlors and an equal amount in major New England supermarkets. "Selling in supermarkets hasn't hurt us a bit," says Silva. "Our research tells us that 85% of people who shop have ice cream on the their list. So why not get those sales?"

Brigham's has also introduced an old product that seems to be making a comeback in New England—ice milk. In January, Brigham's launched a three-flavor line of gourmet light ice milks at 6% butterfat with the theme, "Flavors That Won't Go To Waist." In addition to plain vanilla light ice milk, Brigham's has rolled out two mixed-in flavors, Assorted Chocolates and Wild Berry Crumble. The rollouts were supported by a half-price dessert offer with lunch.

NEW TECHNOLOGY. Until the last quarter of 1987, North Ft. Myers, FL-based Twistee Treat Corp. operated 37 stores exclusively in Florida. At that time, a three-year research and development campaign yielded technological innovations that the company says will make national expansion possible.

continued on page 232

Together with dairy and equipment interests, Twistee Treat developed a proprietary 10.5% butterfat ice cream mix that extends shelf life to 90 days, from the standard 10 to 14 days. They developed a practical, cost-effective one-way container that does not require return shipping for refilling. And they developed a new, patent-pending dispensing system that produces 80 flavors using just two base mixes: chocolate and a neutral base flavored at the store.

"These breakthroughs make it possible to ship our ice cream anywhere in the world," says R.G. "Skip" Skinner, founder and chairman. "They will enable us to become one of the dominant forces in the multi-billion-dollar international ice cream industry."

By early this year, Twistee Treat had opened stores in North Carolina, Texas, New York, and California. It says it has collected deposits on 707 locations slated to open over the next five years. Twistee Treat's primary prototype is a patented, 308-sq.-ft., fiberglass unit in the shape of an 18-ft.-tall ice cream cone. Also in use are 220-sq.-ft. kiosks.

OTHER AVENUES. Fairfield, IA-based Great Midwestern Ice Cream Company "looks for niche opportunities to get our product into people's mouths," says president Harris Kaplan. The company sells proprietary superpremium ice cream and made-from-scratch soups and sandwiches on fresh-baked bread in several of its six units.

However, the company is deemphasizing its franchise program in favor of other growth avenues. "Now, we're looking for long-term relationships with motivated distributors," says Kaplan. Great Midwestern Ice Cream is available in some 2,000 retail stores in cities across the country, including Boston, New York City, and Seattle. It purveys to 250 restaurants and ice cream parlors.

Great Midwestern also produces signature flavors for client companies, such as the Frango Mint ice cream served in the dining room of Marshall Field's department store in Chicago.

Kaplan points out that Great Midwestern's ice cream is made from a proprietary formula that doesn't use eggs. "It has a cleaner dairy taste," says Kaplan. "The eggless formula allows us to make subtle flavors, such as black raspberry, blueberry, and Hawaiian Kona Chip, which has Kona coffee and Belgian chocolate in it."

DRUMSTICKS. Ice cream novelties are on the rise at Victoria's Kitchen and Ice Creamery, a four-unit chain in the St. Louis area owned by Hanko Corp. "We can't keep our homemade drumsticks in the stores," says owner Brent Punch. He refers to a vanilla ice cream

continued on page 236

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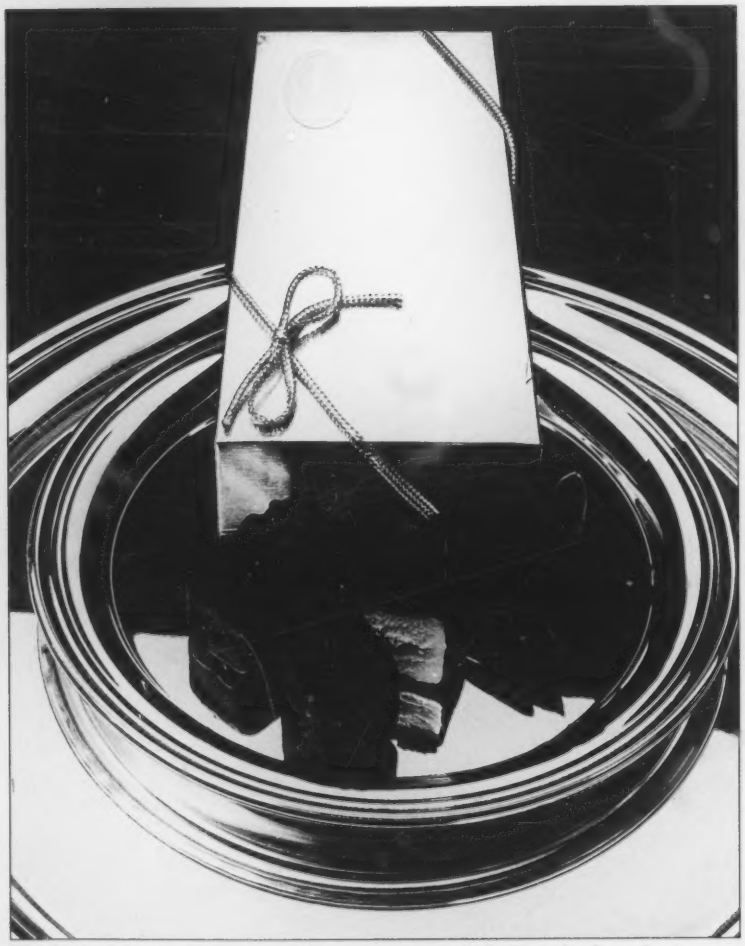

The hottest frozen dessert novelties now appear to be bite-sized products, such as Häagen-Dazs Miniatures.

cone dipped in thick chocolate and coated with almonds, sold for $4.99 a box. Also selling briskly are waffle and pretzel ice cream cones, and frozen chocolate-dipped bananas on a stick, with almonds.

Former Coca Cola executives Mark Kaplan and Bob Solomon switched from corporate life into entrepreneurship when they bought Gorin's, an Atlanta ice cream institution, from founder Steve Gorin last year. Now they are CEO and president, respectively, of a privately owned, 33-unit company. "We plan to make Gorin's Homemade Ice Cream and Sandwiches into a strong regional chain," says Kaplan.

TARGETING ADULTS. Gorin's marketing targets adults aged 24 to 49. "We try to make you feel like a kid again in an adult way," says Kaplan. Special flavors such as White Russian, Amaretto Almond, Raspberry Truffle Swirl, and Snicker Ripple Fudge are made at a manufacturing facility in Atlanta. Ice cream accounts for 60% of sales. The remaining sales come from Gorin's salads and sandwiches, prepared with custom-baked egg bread and other specialty breads.

Staten Island, NY-based Sedutto is now a division of Schrafft's Ice Cream Co. Ltd., which acquired it from Pillsbury last year. Schrafft's is a packaged ice cream label. Sedutto, known for its Italian ice cream specialties such as spumoni and tortoni, is distributed primarily to foodservice. It is dipped by 150 to 200 independent operators, primarily in the New York metropolitan area. The company also has about 15 licensed dipping stores with the Sedutto name.

Like many other companies, Sedutto's is looking at frozen yogurt. Vice president of sales and marketing Steve Capece sees no conflict with ice cream. "You don't have to be one or the other. The two can work in tandem.

"This industry needs to diversify its product mix more," says Capece. "We need to be more aggressive in marketing both inside and outside of the stores. We need to sell to schools and restaurants, and compete with distributors. Promotional efforts could include mailings to offices, delivery of ice cream cakes, and catering for Christmas parties and other holidays."

FROZEN YOGURT. The frozen yogurt segment may be headed for a dramatic shakeout in the next several years, predicts Richard Nicotra, chairman of the 160-unit Everything Yogurt of Staten Island, NY. "There's uncontrolled growth," says Nicotra. "Sales have climbed from $40 million to $750 million in the last five years. New and inexperienced vendors are entering the business. But this industry cannot support a store on every corner."

Nicotra sees parallels between frozen yogurt and some of the rise-and-fall concepts of the past. "Ice cream,

continued on page 238

I Can't Believe It's Yogurt offers six to nine flavors of frozen yogurt daily, in cups, cones, parfaits, sundaes, Fruit Smoothies, waffle cones, and pies.

cookies, hamburgers, chicken—they've all been marked by many casualties among smaller independents. The survivors will be strong, diversified chains with prime locations, well-defined concepts, and clear-cut marketing goals."

"I believe yogurt is moving closer to traditional soft-serve ice cream," says International Dairy Queen's Mike Sullivan. "The yogurt taste is disappearing. But people may trade off to Dairy Queen because, frankly, we think our product tastes a lot better."

"Years ago, when I first tasted frozen yogurt, I said I'd never eat it again," says Albert Till of Bresler's Ice Cream & Yogurt. "I've changed my mind. Today it's a vastly improved product."

NEW TERRITORY. The Country's Best Yogurt (TCBY), of Little Rock, AR, is blazing new territory for frozen yogurt chains. TCBY will be the first yogurt player to broadcast a national message when it goes on network TV this spring. "We'll reach a wide range of people," says senior vice president of marketing Roger Stout. "We'll also reach those who identify the product with fruit-at-the-bottom supermarket yogurt." Stout declined to reveal details, but he admitted that the commercial "will not ignore the health issue."

TCBY says that its yogurt has almost 50% fewer calories and 80% less fat than premium ice cream, and is 96% fat free.

The frozen yogurt segment leader, founded in 1981, operates more than 800 stores in 49 states, Canada, and the Bahamas. TCBY offers 29 flavors of frozen yogurt, yogurt shakes, waffle cones and waffle cone sundaes, crêpes, Belgian waffles, and a Lite Bite line of calorie-reduced yogurt desserts.

Stout believes that the competition in the yogurt segment is positive. "The more people get into frozen yogurt, the higher their awareness of the category. But, we believe we'll win out in the long run on taste."

Everything Yogurt, founded in 1976, is the country's oldest yogurt chain, according to chairman Richard Nicotra. It has 160 stores in its system, coast to coast, and anticipates 40 more this year. Nicotra expects sales to exceed $30 million this year.

'DOUBLE HEADS.' "The days of going into a shopping mall and selling just frozen yogurt are gone," says Nicotra. "You wouldn't be able to pay the rent, not to mention fees." For that reason, Everything Yogurt "double heads" its stores. Everything Yogurt occupies two-thirds of the space; the rest is occupied by another concept, Bananas Frosty Fruit Shakes. "This allows us to do a third more volume in the same space," says Nicotra. In addition, the Everything Yogurt menu offers salads, quiche, soups, and sandwiches.

"We're a restaurant chain offering consumers a healthy, fast, and inexpensive alternative to fast-food fare,"

continued on page 240

THE CREAM OF THE CROP

Foreign expansion is booming, particularly in the Far East and Japanese markets.

TOP FIVE ICE CREAM CHAINS

COMPANY HEADQUARTERS	TOTAL UNITS	TOTAL SALES
INT'L DAIRY QUEEN MINNEAPOLIS, MN	5,002	$1.9 BILLION
BASKIN-ROBBINS GLENDALE, CA	2,511*	$460 MILLION*
FRIENDLY ICE CREAM CORP. WILBRAHAM, MA	840	$572 MILLION
CARVEL CORP. YONKERS, NY	850*	$245 MILLION*
TASTEE FREEZ INTERNATIONAL UTICA, MI	400	$104 MILLION

*ESTIMATED BY TECHNOMIC & CO. INC.

TOP FIVE FROZEN YOGURT CHAINS

COMPANY HEADQUARTERS	TOTAL UNITS	TOTAL SALES
THE COUNTRY'S BEST YOGURT LITTLE ROCK, AR	822	$121 MILLION
PENGUIN'S PLACE THOUSAND OAKS, CA	120	$30 MILLION
EVERYTHING YOGURT STATEN ISLAND, NY	160	$25 MILLION
I CAN'T BELIEVE IT'S YOGURT DALLAS, TX	125	$25 MILLION
ZACK'S FAMOUS FROZEN YOGURT METAIRIE, LA	140	$20 MILLION

says Nicotra. "Our success, in large measure, results from marketing frozen yogurt as a meal and not a dessert. We've always protected the integrity of the product."

Needless to say, candy mix-ins and sweet toppings are out. For one price, the customer gets any or all toppings, which include fresh fruits, granola, and wheat germ.

BELIEVE IT! Dallas-based I Can't Believe It's Yogurt (ICBIY) began franchising in 1983. Last year, it grew from 63 to 117 stores. It has at least 125 now, and anticipates a total of 250 units by the end of 1988. The company, founded in 1977 by Julie and Bill Brice, trades in 25 states. This year it will open new stores in New York City; Maui, HI; and Chicago.

Each ICBIY store offers six to nine flavors of frozen yogurt daily, in cups, cones, parfaits, sundaes, Fruit Smoothies, waffle cones, and pies. It has 29 toppings available, including

continued on page 242

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J. Higby's Yogurt & Treat Shoppes is committed to becoming a national player; the company has opened 12 regional offices in major cities.

fruit, candy, granola, nuts, and cookie chunks. Signature items include Parfait Delight, a layered combination of frozen yogurt and fruit; Fruit Crunch, a cookie-crumb crust filled with yogurt and fruit; and the Cookiewich yogurt sandwich.

Metairie, LA-based Zack's Famous Frozen Yogurt Inc. reports that it has 140 stores in 20 states and Canada, and 400 additional franchise agreements signed. Expansion to Japan is slated this year. New markets such as Hong Kong and Taiwan are anticipated.

Yogurt marketing is evolving away from its old image, reports Zack's president Steven Watts. "Three or four years ago, we mainly appealed to the female and youth-oriented market," he says. "Today, 40% of our customers are male."

In addition to the six flavors of premium soft-serve frozen yogurt made at its own plant, Zack's is rolling out a new product that targets the carry-out market. It is a five-flavor line of hard-packed frozen yogurt in pint packages, featuring blended-in fruits and nuts. The five flavors are French Vanilla, Strawberry Cheesecake, Cherry Cheesecake, Banana Split, and Rum Raisin. There also is a new 4.5-oz. "squeeze up" container for vanilla, chocolate, and strawberry hard-packed yogurt, which will be sold individually or in six-packs.

The new hard-packed yogurt is formulated to keep in the home freezer without the crystallization that occurs with soft-serve yogurt. "It's a new dimension in our product line," says vice chairman David Watts. "Up to now, our product has mostly been consumed on-premise. This will make us more competitive with ice cream for take-home sales."

Franchising is exploding at Rancho Cordova, CA-based J. Higby's Yogurt & Treat Shoppes. Founded in 1983, Higby's has sold 219 franchises; 89 are already open. Committed to becoming a national player, the company has opened 12 regional offices in major cities. Internationally, Higby's has licensed some 2,000 units in Japan over the next five years. Other Asian development is slated for Singapore, Malaysia, and Korea.

NONFAT PRODUCT. Last winter, Higby's rolled out a proprietary nonfat frozen yogurt in its West Coast stores with the slogan "Best NonFat or Your Money Back." "It's been a real surprise to us," says vice president of finance Dick Crosby. "In some of our stores, it amounts to 50% of sales now, much of it incremental."

This spring, Crosby anticipates the rollout of a premium hard-pack frozen yogurt in pints and quarts for the take-out market. "We expect it to have a major impact on sales."

Penguin's Place Frozen Yogurt was founded in 1983 and has been franchised by The Hardin Group of Thousand Oaks, CA, since 1985. With 120 stores and 1987 sales of $30 million,

continued on page 244

Penguin's major base is the Los Angeles area, where it has 62 stores. It also operates elsewhere in California and in Hawaii, Colorado, Dallas, and Phoenix.

"Our first goal is to expand within our current markets to create a critical mass of stores for advertising and purchasing power," says president Bill Hawfield of The Hardin Group. "Secondly, we want to move further into the Sunbelt.

"Undoubtedly there's a strong health direction in yogurt, but we're selling dessert," says Hawfield. "Kids look to us as a candy store. But if you run in here in a jogging suit, you can get a cup of yogurt with fresh strawberries."

FAMILY TRADE. Penguin's Place features frozen yogurt sundaes such as Brownies 'n Fudge, Cantaloupe Cooler, and Strawberry Shortcake. Sundaes are available with an assortment of toppings and mix-ins that includes hot fudge, fresh fruit, crumbled brownies and cookies, and Jelly Bellies. Absent are "adult," liquor-laced flavors, in deference to the family trade.

Average unit volumes are around $450,000 in L.A. units, $300,000 overall, according to Hardin. For locations, Hawfield prefers neighborhood strip centers to enclosed malls. "Business is strong for us between the evening hours of 8 and 10 p.m. We wouldn't want to lose that because of a mall that closes earlier."

A NATURAL. High on the health and fitness end of the frozen yogurt spectrum is Heidi's Frogen Yozurt of Laguna Hills, CA, founded and directed by Heidi Miller, who attained fame as a gymnast, bodybuilder, and Miss Natural America. She named her concept after a slip of the tongue.

Heidi's has more than 100 locations in six states, opening at the rate of five per month. In Japan, 353 franchises are slated to open this year. Systemwide sales for the nine months ending September 30, 1987, were $16 million. Stores do an average volume of $350,000; some units generate up to $1 million.

"My yogurt is either low- or nonfat and fructose- or honey-sweetened and contains nothing artificial," says Miller. Heidi's 30 toppings and mix-ins are healthy, she says. They include carob chips, cashews, peanut butter, walnuts, almonds, fresh-fruit chunks and purees, and Belgian chocolate brownies. A machine called Heidi's Custom Culture mixes them in.

Competition is likely to intensify in the ice cream and frozen yogurt market segment, with casualties to follow. For now, the consumer is the clear winner. Like a kid in a candy store, he is presented with a widening array of concepts, novelties, and flavors from which to choose.

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